

June 8, 2007

Mr. Mark Leary, Executive Director California Integrated Waste Management Board 1001 I Street, MS-1 P.O. Box 4025 Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report—Marin County, Grant Agreements TEA9-03-11 and TCU11-03-12

Enclosed is the final report on our audits of Marin County's (County) Waste Tire Enforcement Grant TEA9-03-11 for the period June 30, 2004 through June 30, 2005, and the Local Government Waste Tire Cleanup Matching Grant TCU11-03-12 for the period June 1, 2004 through April 30, 2006. The Department of Finance, Office of State Audits and Evaluations (Finance), performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board). The audits included a review of revenue, expenditures, internal control, and compliance with certain grant agreement provisions.

Except as noted in the *Finding and Recommendations* section of this report, the County complied with the fiscal requirements of its grant agreement. The County's response and our evaluation of the response have been incorporated into this final report.

The enclosed report is for your information and use. We have also sent a copy to the County. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Diana L. Ducay, Chief Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board

Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board

Mr. Mitch Delmage, Manager, Special Waste Division, California Integrated Waste Management Board

Mr. Phillip Smith, Deputy Director, Environmental Health Services

Marin County
Fund 226 and Fund 387 Grants
Grants TEA9-03-11 and TCU11-03-12
For the Period June 1, 2004
through April 30, 2006

Prepared By:
Office of State Audits and Evaluations
Department of Finance

073910045DFR October 2006

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The Department of Finance, Office of State Audits and Evaluations, performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded two grants to Marin County (County) for the County to participate in the Waste Tire Enforcement (TEA) and the Local Government Waste Tire Cleanup Matching (TCU) Grant Programs. The grants were in the amounts of \$116,801 (TEA9-03-11) covering the period June 30, 2004 through June 30, 2005, and \$65,040 (TCU11-03-12) covering the period June 1, 2004 through April 30, 2006. Grant agreements TEA9-03-11 and TCU11-03-12 were funded by the Tire Recycling Management Fund and Integrated Waste Management account, respectively.

The objective of these audits was to determine the County's fiscal compliance with the aforementioned grants. These audits also assessed the County's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the County.

This report is intended for the information and use of Board and County management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Frances Parmelee, CPA Manager

Rick Cervantes, CPA Supervisor

Michael Bratman

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INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director California Integrated Waste Management Board 1001 I Street, MS-1 P.O. Box 4025 Sacramento. CA 95812-4025

We have audited the accompanying Marin County (County) Statements of Revenue and Expenditures (Statements) for grant agreements TEA9-03-11 and TCU11-03-12, for the periods June 30, 2004 through June 30, 2005, and June 1, 2004 through April 30, 2006, respectively, executed between the County and the California Integrated Waste Management Board (Board). These Statements were prepared from the County's records and are the responsibility of County management. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to provide reasonable assurance as to whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the County's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the County's total revenue and expenditures.

As discussed in the accompanying schedule of *Finding and Recommendations*, we identified questioned costs of \$10,955, which represent 9.4 percent of the total grant funds claimed for reimbursement. All disallowed costs are from grant agreement TEA9-03-11.

In our opinion, except for the matters discussed in the preceding paragraph, the Statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the revenue and expenditures for grant agreements TEA9-03-11 and TCU11-03-12, for the periods June 30, 2004 through June 30, 2005, and June 1, 2004 through April 30, 2006, respectively.

Compliance

As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, and the grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported herein under *Generally Accepted Government Auditing Standards*. The instances of noncompliance with the grant agreements requirements are described in the accompanying schedule of *Finding and Recommendations*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Statements. The reportable condition is described in the accompanying schedule of *Finding and Recommendations*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the noted reportable condition is not believed to be a material weakness.

This report is intended solely for the information and use of Board and County management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA Assistant Chief, Office of State Audits and Evaluations (916) 322-2985

October 5, 2006

STATEMENT OF REVENUE AND EXPENDITURES

Marin County Waste Tire Enforcement Grant TEA9-03-11 For the Period June 30, 2004 through June 30, 2005

Revenue: State Grant	Claimed	<u>Audited</u>	Questioned
	\$116,763	\$116,763	\$ 0
Expenditures: Personnel Equipment, Materials, and Supplies	114,144 <u>2,619</u>	98,610 <u>7,198</u>	15,534 <u>(4,579</u>)
Total Expenditures	116,763	<u>105,808</u>	10,955
Excess of Revenue over Expenditures	<u>\$0</u>	<u>\$ 10,955</u>	<u>\$10,955</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUE AND EXPENDITURES

Marin County Local Government Waste Tire Cleanup Matching Grant TCU11-03-12 For the Period June 1, 2004 through April 30, 2006

	Claimed	<u>Audited</u>	Questioned	CONTROL 1
Revenue: State Grant	\$ 63,440	\$63,440	\$ O	
Expenditures: Personnel Contracts	3,794 <u>59,646</u>	3,794 _59,646	0	
Total Expenditures	63,440	63,440	0	
Excess of Revenue over Expenditures	<u>\$0</u>	<u>\$</u> 0	<u>\$</u> 0	

The accompanying notes are an integral part of this statement.

Notes to the Statements of Revenue and Expenditures

Marin County Grants TEA9-03-11 and TCU11-03-12 For the Period June 1, 2004 through April 30, 2006

NOTE 1 Description of the Reporting Entity

The mission of the County's Community Development Agency Environmental Health Services Division (Division) is to protect and promote the public's health and well being through community education, permit issuance, and inspections. The Division's programs include consumer protection programs (retail food facilities, public swimming pools and spas, multiple housing units) and land use activities (on-site sewage disposal and drinking water). The Division's solid waste program deals with open and closed landfills and transfer stations.

NOTE 2 Program Information

The California Integrated Waste Management Board (Board) administers the California Tire Recycling Act, which includes the disbursement of Waste Tire Enforcement Grants (TEA) and Local Government Waste Tire Cleanup Matching Grants (TCU) from the Tire Recycling Management Fund and the Integrated Waste Management Account, Integrated Waste Management Fund, respectively.

The Legislature enacted the California Tire Recycling Act (Public Resources Code Sections 42860 through 42889.4) to reduce landfill disposal of used whole tires, recycle tires into secondary uses, develop source material and promote secondary markets for used tire byproducts, tire shredding, and energy recovery. A portion of the account is to be issued as grants to public entities and other eligible applicants involved in activities and applications that result in reduced landfill disposal of used whole tires and reduce illegal disposal or stockpiling of used tires.

NOTE 3 Descriptions of Grant Contracts

TEA9-03-11

The purpose of grant TEA9-03-11 is for Marin County, through its Department of Environmental Health, to survey tire dealers and auto wreckers within the County and its cities during the first year of the grant. The County conducted on-site surveys of each facility to educate the operators, and collect data on waste tire disposal, reuses, and destination. The County coordinated with cities and other

agencies within the County to conduct enforcement activities in cases of noncompliance, and write reports on those activities for management and the Board. The County also accepted and investigated reports and community complaints arising from unapproved disposal of waste tires.

TCU11-03-12

The purpose of grant TCU11-03-12 is to remove waste tires from two sites in the County. The first site is located at 5488 Middle Road in Petaluma (Assessor's Parcel Number 100-050-29) with an estimated 2,000 tire pile. The second site is located behind the 300 block of Donahue Street in Marin City (Assessor's Parcel Number 052-231-03) with an estimated 1,200 tire pile.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from the County's accounts and financial transactions. The Statements summarize revenue and expenditures recorded by the County only during the respective grant agreements' reporting periods.

The Statements summarize the County's transactions pertaining to grant agreements TEA9-03-11 and TCU11-03-12, and are not intended to represent all of the County's financial activities.

B. Basis of Accounting

The County's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

FINDING AND RECOMMENDATIONS

During our audit of grant agreement TEA9-03-11, we identified a reportable internal control and compliance issue requiring corrective action. The following recommendations, if implemented, will improve Marin County's fiscal controls over grant funds and protect County and State interests in the event of disputes.

FINDING Inadequate Recordkeeping Practices

Condition: The itemized grant expenditures submitted to the Board for reimbursement

were not recorded into a separate general ledger account within the County's accounting system. Instead, the County maintained individual

expenditure spreadsheets for each grant.

Additionally, employees did not maintain timesheets with sufficient specificity to allocate personnel expenditures accurately, as only time away from work is recorded on the timesheet. Rather than basing requests for reimbursement on actual salaries and wages paid, the County billed the Board using an average flat rate for all employees. As a result, claimed personnel expenditures totaling \$15,534 could not be supported.

On two occasions, the Monthly Expense Reports incorrectly reported operating expenses and supplies expenditures as personnel costs. These expenditures were properly supported, but not reported correctly to the Board. The misclassification resulted in \$4,579 of additional reimbursable expenditures in favor of the County. Netted, these two amounts total \$10,955 in questioned costs.

Criteria: The Waste Tire Enforcement Grant, Ninth Cycle, Procedures and

Requirements Section, requires that the grantee retain all financial and grant program documents that substantiate the expenditures claimed. Moreover, the grant states that personnel expenditures must be computed on actual time spent on grant-related activities. Implicit in this requirement is that separate recorded accountability be maintained for each grant received from the Board, and that this accountability be directly supported through schedules and source documents, including timesheets.

Recommendations: Remit \$10,955 to the Board for reimbursed ineligible expenditures and ensure that all future claimed expenditures are in compliance with the grant agreement. The Board will make the final determination and resolution of

the questioned costs.

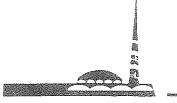
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Ensure grant expenditures are recorded in a separate general ledger account and supported by adequate source documentation. Documentation must include sufficient specificity to reconcile costs to each grant and any allocation methodology used.

County's Response

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COUNTY OF MARIN COMMUNITY DEVELOPMENT AGENCY

Environmental Health Services 3501 Civic Center Drive, Rm 236 San Rafael, CA 94903 (415) 499-6907 FAX (415) 507-4120 www.co.marin.ca.us/ehs

May 14, 2007

Diana L. Ducay, Chief Office of State Audits and Evaluations Department of Finance 300 Capitol Mall, Suite 801 Sacramento, CA 95814

RE: Draft Audit Report: Marin County, Grant Agreements TEA9-03-11 and TCU11-03-12

Dear Ms. Ducay:

I have reviewed your Agency's draft report on audits conducted by your Agency with Marin County's Local Enforcement Agency (LEA) staff. The Department of Finance, Office of State Audits and Evaluations performed two grant audits from June 19, 2006 through October 4, 2006 and reported its results to us on April 6, 2007 in a Draft Audit Report.

The two grants subject to this audit were: Waste Tire Enforcement Grant TEA9-03-11 for the period June 30, 2004 through June 30, 2005 and Waste Tire Cleanup Grant TCU11-03-12 for the period June 30, 2004 through April 30, 2006. The referenced grants are administered by the California Integrated Waste Management Board (CIWMB), Waste Tire Enforcement Grant program. One could infer from the Statement of Revenue and Expenditures for TCU11-03-12 that there were no discrepancies or compliance issues with that particular grant, however, it was not clearly called out in the Finding and Recommendations section of the report.

With respect to Waste Tire Enforcement Grant TEA9-03-11, the Statement of Revenue and Expenditures reflected an excess of revenue over expenditures in the amount of \$10,955. Two discrepancies were identified:

- 1. The LEA billed the CIWMB using an hourly billing rate for personnel time expended commensurate with its County approved Division fee for services for all of the other programs within its purview. It is our understanding from discussions with peer groups from other jurisdictions within the Bay Area participating in the Waste Tire Enforcement Grant program that this is their practice also. Prior to engaging in this application, LEA staff consulted with CIWMB Waste Tire Enforcement program staff and received verbal approval to apply the flat fee system. Subsequent quarterly reports with associated payment request forms submitted to CIWMB staff were honored for payment with no critique regarding the flat fee system. While we agree that recordkeeping can always be improved and appreciate your assistance and advice in that regard, we feel the discrepancy of \$10,955 is due to our use of the flat fee system and not faulty recordkeeping.
- 2. We agree that the inadvertent reporting of operating expenses and supplies expenditures (properly supported) as personnel costs was an error on our part. We appreciate your diligence in discovering this in your analysis, and assisting us with a correction to our records.

In the Finding and Recommendations section under the subsection, "Criteria", is a description of the expectations and requirements of grantees. We have no disagreement with the terms and conditions described. It would be appreciated if in your report mention was made that there were no discrepancies found in the audit of Waste Tire Cleanup Grant TCU11-03-12.

Thank you for the opportunity to review and comment on your draft report. We look forward to a close to this lengthy and arduous process.

Sincerely,

Philip D. Smith Deputy Director

PD Smite

Environmental Health Services

Cc: Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, CIWMB

Mr. Mitch Delmage, Manager, Special Waste Division, CIWMB Georgianne Turner, Supervisor, Special Waste Division, Tire Management Branch

EVALUATION OF COUNTY'S RESPONSE

We have reviewed Marin County's (County) response to the draft audit report. The County stated that it billed the Board using the flat fee system; however, the flat fee system did not provide an accurate representation of actual costs incurred by the County to administer the grant. Even though the County agrees with the cited criteria, the County did not provide any additional evidence for our review. As such, our original recommendation related to grant agreement TEA9-03-11 stands. The County should remit \$10,995 reimbursement to the Board; however, the Board will make the final determination and resolution of the guestioned costs.